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Graham, Charles J.

Address of
Charles J. Graham...

New York, N.Y.

1916

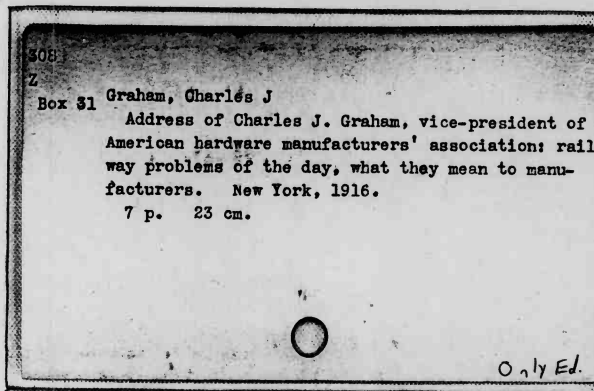
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ADDRESS
OF
CHARLES J. GRAHAM
VICE-PRESIDENT
American Hardware Manufacturers'
Association

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Railway Problems of the Day
=====

What They Mean to Manufacturers



NEW YORK, N. Y.
May 17, 1916

Mr. Chairman and Gentlemen:

In accepting the invitation to address you as President of the American Hardware Manufacturers' Association, and being requested to select a subject, I did so, having in mind something that is of vast importance, not only to my own Organization and this great body, but to all of the manufacturers of the Country as a whole; and, in fact, to all business men of the Nation whatever their pursuits, as well as to the public generally and to the future agricultural and commercial development of the Nation itself.

We are facing to-day, in this Country, the greatest problems from every standpoint that any country in the World's history has ever been called upon to face, and it is up to Organizations of this character, as well as to all individuals, to accept their full share of responsibility, and do everything in their power to aid in a proper solution of some of the great questions which are upon us.

We are hearing daily, on every side, great arguments and great discussions relative to military and naval Preparedness, and, while these subjects are of paramount importance, there are others which must not be overlooked; which, while not so critical just at this time, have much to do with our future growth and welfare.

The greatest problem we are facing from a commercial and industrial standpoint—the proper solution of which will put the entire business structure of the United States on a more solid foundation than any upon which it has rested heretofore—is the great question of Proper Railroad Regulation, and proper provision being made for adequate remuneration, enabling the railroads to provide for the enormous expenditures they are now called upon to make to take care of the vast increase in transportation demand.

Their earning power has been so throttled for the past ten years that they have not been able to develop proportionately with the rest of the business interests

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of the country. In fact, they have not been able to earn enough revenue to hold them on an even keel, as a consequence of which, a great many of them have been forced into receiver's hands; and only those, who are very strong financially, have been able to weather the storm.

Their revenues have been absorbed by increased taxation, tremendous expenditures for safety appliances, heavy additions in the cost of labor, hundreds of millions for track elevation and terminal improvements, and for the entire reconstruction of their equipment in the change from wood to steel; all of which has added practically nothing to their earning power and has created a burden under which they are staggering at present—a burden which will increase to such an extent that it will eventually reach a point beyond their carrying power.

The prosperity of the Railroads is fundamentally the basis of all prosperity, and the question resolves itself into one of mutual interest between our carriers and the public, and, should the necessary relief be not provided, the prosperity of both is at stake.

As an illustration of the present situation, I will cite an instance where actual figures are available, that of the earnings of the New York Central System for the year ending March 31, 1916. The greater portion of the year, as you all know, covered a period of unprecedented prosperity throughout that section of the United States served by their lines; yet, under these ideal conditions, all they were able to show was a net 7 per cent. on the capital invested.

The return on capital invested in all Railroads in the year 1915 was actually less than that for 1912, and a reliable computation for the first six months of the present year will show a net return of less than 5 per cent., and this despite the record breaking gross earnings they are showing every month.

Gentlemen, stop to consider what the future would be

for our manufacturing interests, and for practically all lines of commercial business if the fixing of our prices were under Governmental control, and they were forced down to such a point as to restrict our earning power to 5 per cent. on our investment during such periods as those through which we are now passing. There would be just one answer, and that would be: the complete demoralization of business generally, and absolute bankruptcy for at least 90 per cent. of the Corporations of the Country; and would mark the beginning of the end of the United States as a World Power, commercially.

If such a proposition is an impossibility for the manufacturers, how can we expect the Railroads to exist under it if we require them to develop on a plane that essentially is necessary to handle our largely increased traffic? It is a foregone conclusion that there must be some readjustment, and it is up to our Commercial Organizations to get behind the railroads in their endeavor to create a sentiment in favor of an adjustment which will insure fair rates, just regulation, equitable taxation, and, last but not least, reasonable demands from labor.

Another factor, which will have a serious effect on their net revenue, and which will be more burdensome as long as the present demand for material continues, is the enormous increase they are called upon to pay for all classes of equipment and supplies—increases in practically everything that goes into Railroad operation, running from 20 to 500 per cent, a fair average being about 100 per cent. Most all of you are thoroughly familiar with the fact that their largest items, such as steel and its products, have advanced over 100 per cent. from the low point of 1915. This means that, if the Pennsylvania Railroad in 1915 spent 50 million dollars for material and supplies, the same quantity of the same items in 1916 will cost them 100 million dollars. This applies to all Railroads proportionately, and the only source they have to secure this additional money is from an increase in tonnage, as transportation, the commodity

they are selling, has not increased in price, and the increase in tonnage has not been sufficient to take care of it.

Is there any fair-minded American citizen, once he understands the situation, who will not be willing to pay a reasonable price for his transportation whether it be passenger, freight or the mails—a price sufficient not only to give their stockholders a reasonable return, but an amount beyond this large enough to enable them to meet every expense incident to their proper maintenance and necessary expansion; and to also enable them to increase, if possible, the great factor which is so important to all of us—that of safety?

The present situation relative to Railway mail pay is not far from sheer confiscation, on the part of the Government, of Railway revenues which go to the credit of our Post Office Department.

To show the inconsistency of the Government on this one proposition, it will probably surprise you to know that, while the Interstate Commerce Commission has been appointed to regulate the passenger, freight and express tariffs which the public shall pay, it has not had any authority relating to mail pay, or, in other words, the Government has not shown sufficient confidence in its own appointees to leave the matter of mail pay regulation in their hands.

There is a promise, however, of some relief in this item inasmuch as no later than yesterday, the Senate Committee rejected the Moon Space Rider which has been bitterly opposed by the Railroads, and substituted in its place a proviso giving the Railroads an annual instead of a quadrennial weighing of mails, and instructing the Interstate Commerce Commission to make a thorough investigation of this important subject, and report back to Congress their findings.

It is now up to the House to recede from the position which they have taken, and let the whole question rest with the Interstate Commerce Commission.

The Railroads are also the greatest of our commercial factors in National Defense, and it is essential to any Government to see to it that in Governmental preparation along these lines, the Railroads are enabled to keep themselves in a condition to do their full share should any crisis arise; as, should they not be able to do so, a great part of the energy expended in other directions would be just so much wasted.

Where would the Nations of Europe be to-day if their Railroads were not sufficiently equipped to insure the rapid handling of munitions and men, as well as all other necessities of the vast armies they have in the field? Any country without proper transportation facilities in time of war would be under such a handicap that nothing short of a miracle would prevent its defeat.

Gentlemen, coming down to the final analysis, there is just one word which will express the underlying cause of most of the difficulties under which our Railroads are laboring, and that word is "Politics."

Railroad regulation must be taken out of politics. The confusing control exercised by 48 different states, our National Congress and the Interstate Commerce Commission must be eliminated, as it causes endless conflict, trouble, and useless expense.

The vast number of laws passed, particularly by the various States, deal not only with matters of general regulation but in particular with matters of Railroad operation, which has a tendency to paralyze executive freedom of direction, and to take their operations out of the hands of men of experience, recognized ability and initiative; as a consequence of which, their operating costs are enormously increased.

The need of a system of Governmental regulation to replace the existing one is recognized by those who are at all familiar with the subject, and the best way of accomplishing the desired result is the Problem. It must be done. The policy of control must be unified, and a strong Federal System of regulation must be sub-

stituted for the varying rule of 48 uncoordinated States. A Non-partisan Federal Commission of Experts, who will have power to fix revenues commensurate with expenses, is the answer; and the quicker this is accomplished, the better it will be for the Nation as a whole, as all business is absolutely dependent on adequate transportation facilities, and can only progress concurrently with Railroad growth.

The pernicious activity of our numerous Railroad regulators has largely reduced Railroad revenues, vastly increased the cost of operation, and has materially impaired Railroad credit, as a consequence of which they have not been able to attract the capital necessary to furnish proper facilities for the handling of the commerce of our Country.

Railroads, like all other lines of business, must progress or go backwards—they cannot stand still. Under existing conditions, Railroad building has practically ceased; in fact, only 900 miles of new line were constructed in 1915. Such a condition is the natural result of a politicized system of Railroad supervision which must be improved, and improved speedily, if we would avert disaster.

Gentlemen, the opportunity afforded me at this time to present this subject before this Organization, as well as to the Presidents of a number of other Commercial Organizations, covering a great many important lines and representing all sections of the United States, is very much appreciated, and I sincerely trust it is a matter of sufficient importance to be brought by them to the attention of the various Organizations, of which they are the heads, with the idea of enlisting their support in whatever effort may be made to improve these deplorable conditions. I thank you.

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